

{As Prepared for Delivery}

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**Thomas C. Dorr
Under Secretary for Rural Development
Remarks**

Thank you. It's great to be here. I have spent most of my life farming near Marcus, Iowa, growing what you grow in Iowa -- corn, soybeans, and hogs. So coming to the Commodity Classic is like going home -- except at home I don't have to give a speech.

But I am grateful to Bob Metz and Jerry Tumbleson for inviting me to visit with you today. This is an exciting time ... a time of opportunity ... for rural America, both on and off the farm.

So let me say at the outset -- and I'll probably say it again later -- that I am an unabashed optimist about rural America.

And it's therefore an honor and a privilege for me, as an Iowa corn and livestock farmer, to have been asked by President Bush to help rural

America seize some of these opportunities that are before us today – and to work for and with Secretary Johanns who is focused, creative, and committed to Rural America and rural Agriculture policy. It is a real honor.

My job this afternoon is made much easier because Secretary Johanns was here this morning to set the stage. I hope most of you were able to attend that session. The Secretary touched on many issues:

- **Today, markets are global. Since the fall of the Berlin Wall, between 2 and 3 BILLION people have joined the world market system.**

This is the greatest explosion of economic freedom and creativity in human history. And it is an extraordinary triumph, thanks to the courage and resolve of the United States, its leader, and our allies over the 45 years of the Cold War. I truly hope we have the same resolve to support President Bush and the future leader to Iraq and the Middle East.

- But this achievement brings challenges. There's no doubt about it -- a lot of those people are tough competitors, you know. Brazil grows soybeans, China makes widgets, India writes software, and yet markets price competitively.
- But by the same token, 95% of our potential customers now live abroad. That's a huge opportunity.
- American agriculture, therefore, is increasingly export oriented -- and import impacted. It cuts both ways. WTO rules and the Doha Round are important policy drivers.
- We also have concerns in our own backyard. We're concerned, as the Secretary noted, with agricultural infrastructure -- railroads, locks, and dams.
- We're concerned with disease and pest control ... with nutrition ... with food safety ... with maintaining America's scientific preeminence in the agricultural sciences ... with a fair and efficient safety net for producers ... and the list goes on and on.

Obviously, Secretary Johanns has a lot on his plate, and 101 important issues to manage as the next Farm Bill is written.

At USDA Rural Development, fortunately, our life is a little simpler.

We're a small part of a much larger whole. But the great, overarching fact that connects everything Secretary Johanns said to you this morning -- and that I will say to you now -- is the reality of change ...

... And, from a USDA Rural Development standpoint, the extraordinary opportunities that change presents to rural America today.

These changes are fundamental. Frankly, when I said a minute ago that an Iowa farmer grows corn, soybeans, and hogs & cattle, I suspect I'm showing my age.

Like many of you, I grew up knowing the three "magic words:" Corn, soybeans, and livestock. In my family, those words were practically a lullaby ... and I'm pretty sure some people still sing them at funerals.

But we are, in fact, fast reaching the point at which we will have to rewrite the songbook.

Of course, corn, soybeans, and hogs aren't going away. My granddaughter may likely be attending this conference 50 years from now.

But his world is going to be a lot bigger, and a lot more complicated, than mine was 30 years ago. At only 2 ½ years old, she will soon know that what's growing out there in the fields today isn't just corn, soybeans, and livestock anymore:

- **It's ethanol and biodiesel.**
- **It's lubricants, coatings, and cleaning agents.**
- **It's carpeting, synthetic fibers, packaging materials, deodorant.**
- **It's literally thousands of biobased products, and the list grows day by day ... a whole new biochemical and bioindustrial world,**

just in its infancy, that is going to restructure farming and the rural economy in ways we are only beginning to imagine.

In fact, many smart people are suggesting that the field of bioengineering and biochemistry is at the same stage as was the computer and technology industries in the mid- to late-80s.

- **And that's only one change, among many. The new energy economy, for example, is bigger than biofuels. It includes wind, solar, hydrogen and geothermal technologies as well.**

All of these are distributed energy resources with significant ownership and wealth creation potential for the rural economy.

The important point, though, is these things are likely to be as familiar to the next generation of producers as corn, soybeans, and hogs are to us.

- **We're also entering a world in which everyone is going to be interconnected, more-or-less instantaneously, with everyone else.**

- **The implications of connectivity -- from where we live, how we do business, where businesses will locate, the future of the rural economy -- are also things we are just beginning to comprehend.**
- **But adding it up ...**
 - **extraordinary advances in science and technology ...**
 - **the end of the Cold War and the globalization of markets ...**
 - **connectivity and broadband ...**

... it's clear anyone who thinks standing pat is an option will be caught flatfooted as a tsunami of change rolls right over him.

On this subject, I know I'm preaching to the choir. Bob Metz and Jerry Tumbleson are leaders on this. NCGA, in particular, deserves credit for your "Taking Ownership of Grain Belt Agriculture" report. You are way ahead of the policy curve. But others are starting to take notice:

- **The Farm Bureau is now circulating its MAAPPS Report – that's "Making American Agriculture Productive and Profitable."**

- **The Farm Credit Council has just issued its Horizon Report.**
- **Or you can visit RUPRI – the Rural Policy Research Institute – online and sift through their data.**
- **And there are many other examples, all along the same lines.**

But the unifying theme in all these analyses -- as it was with Secretary Johanns' remarks this morning -- is that change is coming. We can't hide. We can't close our eyes and hope it goes away.

But we can work to put American farmers and rural communities on the winning side of the equation and that's where we come in.

USDA Rural Development – where I work – is an investment bank for rural America.

- **This year we will invest over \$17 billion in rural infrastructure, housing, community facilities, business development especially renewable energy, and job creation.**

- **Since 2001, we've invested over \$63 billion and created or saved over 1.1 million jobs.**
- **We're the only agency in government that can literally build an entire community from the ground up.**
 - **We work, in fact, on everything from value added investments on the farm ... to your community hospital ... to rural water systems ... to fire protection ... to broadband access ... to the ethanol and biodiesel plants down the road.**

And as I look at rural America today -- and consider where our resources can be brought to bear to increase economic opportunity and improve the quality of life – there are three factors in particular that stand out as transformative: Place, Connectivity, and Broadband.

“Place” is the matrix of quality of life considerations that attract so many of us to rural areas to live, work, and raise our families. It's what we value about where we live, over and above a paycheck. It's what

we're trying to preserve, and most importantly pass down to our children.

Let me be clear, since I'm talking to a room full of farmers -- I'm not just talking about farms. 65 million people live in rural America. 63 million of them don't farm. Place is important to all of them – to all of us. It's why we choose to live in a small town or in the country instead of the city, even if you don't plant a crop or feed livestock for a living.

“Place” is peace and quiet, green fields, and fishable streams. It's lower taxes and a lower cost of doing business. It's affordable housing and a big yard for the kids. It's the pace of life, low crime, and good schools.

From a Rural Development standpoint, these things are not just attractive qualities of life. They are significant rural comparative advantages. I've spent most of my life in Marcus but I've lived in Washington, D.C. for the last five years. And, you know, I've never seen a real estate ad in the city boasting about a bigger mortgage for a smaller house, high taxes, noise, crime, and a three hour commute.

Rural communities that can provide good jobs, quality healthcare, and good schools are great places to live.

This is why USDA Rural Development invests in hospitals, day care centers, fire protection and emergency services. But it's why we support entrepreneurs and business development. This isn't just about quality of life today; it's building a future for the next generation as well.

You know, frankly, nothing hits closer to home than this. For decades, rural communities have had difficulty offering opportunities to young people. A majority of kids left after finishing school. Very few of the college graduates came back.

In my class, for example, I may have been the only one who returned to Marcus – I'm not really sure, but I was certainly one of very few, if not the only one.

Our goal, therefore, begins right at home ... to create communities where our kids have a future ... communities where your son or daughter has more and better choices than we did.

If our kids' hopes, dreams, ambitions, and talents take them around the world, that's great – and we want them to have that opportunity -- but should they be forced to leave simply because there is nothing at home?

Sometimes people ask me if I really want rural America to become a magnet for more people, businesses, and jobs. My answer is that if we want a dynamic rural economy where our kids can find good jobs, growth will come, and we'd better start planning on how to make it work.

Granted: not everyone will make the same choices. Not everyone will choose Manhattan, Kansas, over that other Manhattan on the East Coast. But we can level the playing field so that rural America is again competitive in terms of economic opportunity.

That's the goal, and we invest to help make it a reality.

A second opportunity today arises from the communications revolution, especially broadband.

IT is producing nothing less than the most radical decentralization of information in human history. We no longer need everyone in the same building so they can shuffle paper from desk to desk. Administrative structures, manufacturing, and distribution networks can be decentralized.

This affects every community and business in America, large and small, but in terms of location, it is a great equalizer. In fact, it makes rural communities more competitive than they have been in generations.

To a degree unprecedented in history, people are going to have real choices about where to live and how to work. You will be able to live locally and compete globally.

Broadband opens the door. These things don't change overnight, but the spatial organization of America is being reengineered ...

... And I am convinced, if we do our jobs right, that smaller cities, small towns, and rural areas indeed have a very bright future in store.

Finally, as you all know, rural America is in the midst of an energy boom.

Let me emphasize that -- in talking about energy -- I don't mean to slight other value-added, biobased products. I mentioned some of these earlier. USDA, by the way, is very close to publishing the final rule kicking off the Federal Biobased Products Preferred Procurement Program. This will involve an initial list of about 120 products, but there are over 3,800 in the pipeline. This will have important repercussions down the road.

But also thanks to \$60 a barrel oil, energy is taking off right now. The energy train has left the station, and it's picking up speed.

- U.S. ethanol production last year exceeded 4 billion gallons.**

We're going to exceed the 7.5 billion RFPS gallon target in the energy bill well ahead of time.

- Biodiesel usage tripled in a single year. Biodiesel is still in its infancy -- 75 million gallons in 2005 -- but the growth curve is incredible.
- U.S. wind power capacity by the end of last year reached 6,740 Megawatts with another 5,000 MW on the way. The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020.
- Since 2001, USDA Rural Development has invested nearly \$290 million in new energy sources, and we're making approximately \$1.3 BILLION available on a competitive basis in 2006.

Energy from agriculture, in fact, offers the rural economy its biggest new market in history -- and I know a room full of corn and soybean producers doesn't need me to tell you what that means for all of us.

The opportunity is there. But it's not automatic.

So I want to leave you with a warning, and a challenge. A new energy economy is emerging. It won't happen overnight. But it will happen -- and the issue 10 and 20 years down the road will be who owns it. The stakes are a lot higher than an extra 5 or 10 cents a bushel for producers.

The new energy sources coming online – ethanol, biodiesel, wind, solar – are distributed in nature. They are rural and agricultural based. Farmers and other rural landowners are on the ground floor.

But the question is, will farmers and rural landowners participate as owners and investors, or as vendors?

Bottom line: we need to develop new business and investment models, including new tax and regulatory regimes, to bring the benefits of new energy sources back home to rural communities.

This is an extraordinary new opportunity for ownership, wealth creation, and economic growth in rural communities. If you don't own

it, as producers, someone else will, and you'll be working for them.

That's why this is an opportunity we can't afford to miss.

To sum up, as I stated at the outset, I am an incurable optimist about the future of rural America. I am an optimist about energy from agriculture. I am an optimist about the decentralizing implications of IT. I am an optimist about the attractions of the rural quality of life. This is a powerful combination. With leadership, determination, and hard work, it's a winning hand for rural America in the next generation.

Yes, we face challenges. Standing still isn't an option, not in an era of globalization and connectivity-driven competitiveness. But our opportunities are even greater than our challenges, if we have the vision and the will to pursue them.

I am confident that we will, and I look forward to working with you to get the job done. Thank you.